

PRI STATEMENT ON APPROPRIATE AND PRACTICABLE INCLUSION OF THE FINANCIAL SECTOR IN THE CSDDD

Due diligence is an important and necessary part of a responsible investor's toolkit, supporting sustainability assessments, risk analysis and investee-engagement. Many PRI signatories already implement the UNGPs and OECD Guidelines¹ and [support](#) mandatory due diligence legislation.

Therefore, **PRI welcomes the proposed Corporate Sustainability Due Diligence Directive (CSDDD) and supports the appropriate and [practicable inclusion of the financial sector](#)**. Done well, this will benefit the sector by:

- clarifying and harmonising within the legislative framework what is understood as good investor due diligence practice;
- supporting investors to understand and manage the outcomes and impacts of their investment decisions; and by
- bringing greater certainty in the future policy framework across the EU and around sustainability-related litigation risks.

Of course, due diligence (or elements thereof) is already referenced in the current EU sustainable finance framework, including notably under the SFDR, CSRD, Taxonomy and UCITS, AIFMD & MIFID delegated acts. **Therefore, to be clear, achievable and proportionate, the due diligence requirements for the financial sector under the CSDDD must complement and reinforce existing obligations.** Co-legislators should adopt proportionate requirements for ongoing due diligence throughout the value chain, using a risk-based approach in line with international standards. This enables investors with large numbers of investee companies in their portfolios to carry out proportionate, targeted due diligence which leads to effective risk management and positive sustainability impact. Co-legislations should also provide precise, concise and timely sectoral guidance which takes into account different types of investment strategy and asset class and considers how investors can use/augment the instruments they already have at their disposal to meet due diligence requirements (including systems put in place to comply with SFDR).

The CSDDD offers the opportunity to create a coherent framework for due diligence which supports investors' sustainable risk and impact assessments. As a piece of legislation overall, it is a much-needed step forward to ensure that economic activities tied to the EU single market are conducted in a responsible manner and will play a critical role in the EU's path towards the goals of the green deal. We encourage policymakers to find an appropriate and effective agreement to achieve this before the Parliamentary elections next year.

¹ 36% of investment manager and asset owner signatories based in EU member states used the UNGPs and/or OECD guidelines to either set policies and/or identify sustainability outcomes from their activities. PRI's [Advance initiative](#) has 111 participants and 255 endorsers (participating investors made a policy commitment to respect human rights and implement a human rights due diligence process). PRI also has [over 20 case studies](#) on investor implementation of due diligence across the globe, representing multiple EU jurisdictions and varied asset classes (including private equity, listed equities and fixed income).